



Gamagara Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Members of the council

Executive Mayor

Councillors

Hon. Cllr. D.P. Moyo

Cllr. V.L. Gorrah

Cllr. T.E. Tiroyame

Cllr. J.C. Kaars

Cllr. O.E. Hantise

Cllr. H.Du Plessis

Cllr. I. Obuseng

Cllr. P. Selonyane

Cllr. G. Vos

Cllr. J. Johnson

Grading of local authority

Grade 2

Accounting Officer

T.C Itumeleng

Chief Finance Officer (CFO)

NM. Grond

Registered office

Civic Centre

Cnr Hendrik Van Eck & Frikkie Meyer Rd

Kathu

8446

Postal address

PO Box 1001

Kathu

8446

Bankers

First National Bank

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
APPROVAL OF FINANCIAL STATEMENTS	4
MEMBERS OF COUNCIL	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Appropriation Statement	11 - 10
Accounting Policies	11 - 33
Notes to the Annual Financial Statements	34 - 89
Appendixes:	
Appendix A: Schedule of External loans	90
Appendix B: Analysis of Property, Plant and Equipment	91
Appendix D: Segmental Statement of Financial Performance	97
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	98
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	99

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 110, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

TC ITUMELENG
MUNICIPAL MANAGER
31 August 2015

NM GROND
CHIEF FINANCIAL OFFICER
31 August 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TC ITUMELENG
MUNICIPAL MANAGER
31 August 2015

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	976 126	589 327
Receivables from exchange transactions	5	81 672 020	21 977 936
Receivables from non-exchange transactions	6	287 908 475	7 527 206
VAT receivable	7	2 206 464	8 286 619
Cash and cash equivalents	8	8 220 588	10 115 803
Operating lease asset	9	108 280	116 954
		381 091 953	48 613 845
Non-Current Assets			
Property, plant and equipment	10	869 544 952	859 393 502
Intangible assets	11	3 364 042	1 133 385
Investment property	12	161 314 526	161 314 526
Heritage assets	13	74 581	74 581
		1 034 298 101	1 021 915 994
Total Assets		1 415 390 054	1 070 529 839
Liabilities			
Current Liabilities			
Consumer deposits	14	5 709 474	4 639 486
Provisions	15	1 329 047	1 078 467
Payables from exchange transactions	16	1 086 573	800 761
Taxes and transfers payable (non-exchange)	17	34 333 138	15 249 672
DBSA Loans	18	3 802 618	4 422 608
Unspent conditional grants and receipts	19	1 532 206	1 217 129
Bank overdraft	8	27 239 699	30 106 446
		75 032 755	57 514 569
Non-Current Liabilities			
DBSA Loans	18	25 435 357	29 237 975
Employee benefit obligation	20	37 307 192	33 041 231
Provisions	15	4 517 325	4 092 456
		67 259 874	66 371 662
Total Liabilities		142 292 629	123 886 231
Net Assets		1 273 097 425	946 643 608
Accumulated surplus	21	1 273 097 423	946 643 609

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	28	269 758 997	209 614 317
Rental of facilities and equipment	29	253 651	396 861
Interest received	30	1 120 196	448 263
Agency services	25	2 473 165	2 475 622
Other income	31	2 622 822	6 142 175
Total revenue from exchange transactions		276 228 831	219 077 238
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	391 502 832	23 622 888
Licences and permits	24	830 150	1 055 089
Transfer revenue			
Government grants & subsidies	26	48 359 768	55 221 221
Public contributions and donations	27	6 408 237	31 199 640
Fines, Penalties and Forfeits	23	362 648	775 204
Total revenue from non-exchange transactions		447 463 635	111 874 042
Total revenue		723 692 466	330 951 280
Expenditure			
Employee related costs	32	(105 186 350)	(85 094 091)
Remuneration of councillors	33	(2 793 291)	(2 637 252)
Depreciation and amortisation	34	(58 213 895)	(54 479 889)
Impairment loss	35	(66 635 371)	(9 723 814)
Finance costs	37	(3 352 373)	(3 983 550)
Repairs and maintenance	36	(15 700 946)	(38 975 804)
Bulk purchases	38	(96 890 964)	(82 153 528)
Contracted services	39	(11 025 738)	(10 588 013)
Transfers and Subsidies	40	(2 402 570)	(1 924 729)
General Expenses	41	(35 037 155)	(23 826 329)
Total expenditure		(397 238 653)	(313 386 999)
Operating surplus		326 453 813	17 564 281
Loss on disposal of assets and liabilities	42	-	(525 392)
Surplus for the year		326 453 813	17 038 889

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	931 322 791	931 322 791
Adjustments		
Prior year adjustments	(1 718 071)	(1 718 071)
Balance at 01 July 2013 as restated*	929 604 720	929 604 720
Changes in net assets		
Surplus for the year	17 038 889	17 038 889
Total changes	17 038 889	17 038 889
Restated* Balance at 01 July 2014	946 643 609	946 643 609
Changes in net assets		
Surplus for the year	326 453 814	326 453 814
Total changes	326 453 814	326 453 814
Balance at 30 June 2015	1 273 097 423	1 273 097 423
Note(s)		

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		111 514 684	23 482 333
Service charges		205 246 656	203 745 002
Grants		48 431 830	55 380 228
Interest income		1 120 196	446 076
Other receipts		6 401 787	17 751 440
Public Contributions and Donations	27	11 192 328	31 245 461
		<u>383 907 481</u>	<u>332 050 540</u>
Payments			
Employee costs		(98 162 327)	(74 948 871)
Suppliers		(123 530 226)	(132 291 024)
Finance costs		(3 352 373)	(3 983 550)
Other payments		(80 079 121)	(33 917 382)
Remuneration of Councillors		(2 793 291)	(2 637 252)
		<u>(307 917 338)</u>	<u>(247 778 079)</u>
Net cash flows from operating activities	44	<u>75 990 143</u>	<u>84 272 461</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(67 711 407)	(79 560 357)
Purchase of other intangible assets	11	(2 884 596)	(278 338)
Net cash flows from investing activities		<u>(70 596 003)</u>	<u>(79 838 695)</u>
Cash flows from financing activities			
Repayment of Borrowings		(4 422 609)	(4 011 996)
Net cash flows from financing activities		<u>(4 422 609)</u>	<u>(4 011 996)</u>
Net increase/(decrease) in cash and cash equivalents		971 531	421 770
Cash and cash equivalents at the beginning of the year		(19 990 642)	(20 412 412)
Cash and cash equivalents at the end of the year	8	<u>(19 019 111)</u>	<u>(19 990 642)</u>

* See Note 43 & 58

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	217 931 433	73 000 000	290 931 433	269 758 997	(21 172 436)	Note 57
Rental of facilities and equipment	715 336	-	715 336	253 651	(461 685)	Note 57
Interest received	500 000	-	500 000	1 120 196	620 196	Note 57
Agency services	2 177 465	-	2 177 465	2 473 165	295 700	Note 57
Licences and permits	872 437	3 530	875 967	830 150	(45 817)	Below 10%
Other income	2 680 466	-	2 680 466	2 622 822	(57 644)	Below 10%
Total revenue from exchange transactions	224 877 137	73 003 530	297 880 667	277 058 981	(20 821 686)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	396 607 633	(218 804 188)	177 803 445	391 502 832	213 699 387	Note 57
Transfer revenue						
Government grants & subsidies	44 885 121	-	44 885 121	48 359 768	3 474 647	Below 10%
Public contributions and donations	51 500 000	-	51 500 000	6 408 237	(45 091 763)	Note 57
Fines, Penalties and Forfeits	314 374	-	314 374	362 648	48 274	Note 57
Total revenue from non-exchange transactions	493 307 128	(218 804 188)	274 502 940	446 633 485	172 130 545	
Total revenue	718 184 265	(145 800 658)	572 383 607	723 692 466	151 308 859	
Expenditure						
Personnel	(113 018 580)	-	(113 018 580)	(105 186 350)	7 832 230	Below 10%
Remuneration of councillors	(2 890 272)	-	(2 890 272)	(2 793 291)	96 981	Below 10%
Depreciation and amortisation	(53 820 123)	-	(53 820 123)	(58 213 895)	(4 393 772)	Below 10%
Impairment loss/ Reversal of impairments	(6 848 594)	-	(6 848 594)	(66 635 371)	(59 786 777)	Note 57
Finance costs	(3 773 618)	-	(3 773 618)	(3 352 373)	421 245	Note 57
Repairs and maintenance	(18 152 415)	(81 296)	(18 233 711)	(15 700 946)	2 532 765	Note 57
Bulk purchases	(111 220 611)	-	(111 220 611)	(96 890 964)	14 329 647	Note 57
Contracted Services	(7 467 957)	-	(7 467 957)	(11 025 738)	(3 557 781)	Below 10%
Transfers and Subsidies	(2 540 000)	(8 544 551)	(11 084 551)	(2 402 570)	8 681 981	Note 57
General Expenses	(45 326 435)	-	(45 326 435)	(35 037 155)	10 289 280	Note 57
Total expenditure	(365 058 605)	(8 625 847)	(373 684 452)	(397 238 653)	(23 554 201)	
Surplus before taxation	353 125 660	(154 426 505)	198 699 155	326 453 813	127 754 658	
Surplus for the year from continuing operations	353 125 660	(154 426 505)	198 699 155	326 453 813	127 754 658	
Discontinued operations	(1 685 364)	-	(1 685 364)	-	1 685 364	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	351 440 296	(154 426 505)	197 013 791	326 453 813	129 440 022	

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical judgements, estimations and assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Nonexchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments .

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.3 Impairment of financial assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 5 to the AFS.

1.2.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 2.3 and 3.2 the municipality depreciates its property, plant and equipment and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of property, plant and equipment, investment property, intangible assets, heritage assets and inventories

Accounting Policy 5 on Impairment of assets Accounting Policy 7.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

1.2.6 Water inventory

The estimation of the water stock in the reservoirs is based on actual dip readings or the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.2, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% and discounted to the net present value at 5.4%.

1.2.9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Property, plant and equipment

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.6.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.6.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Years
Infrastructure		
Electricity	Straight line	3 -55
Roads and paving	Straight line	3 - 100
Sanitation	Straight line	7 - 55
Sewearge	Straight line	7 - 100
Water	Straight line	5 - 100
Community		
Community facilities	Straight line	5 - 60
Recreational facilities	Straight line	10 - 60
Buildings		
Improvements	Straight line	5 - 100
Other		
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Emergency equipment	Straight line	3 - 10
Furniture nd fittings	Straight line	3 - 15
Motor vehicles	Straight line	4 - 15

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

Office equipment	Straight line	3 - 15
Plant and equipment	Straight line	2 - 15
Specialised vehicles	Straight line	10 - 20
Other assets	Straight line	25 - 30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6.4 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.6.5 Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.6.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.6.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

1.6.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible	Years
Software	2 - 5

1.8 Investment property

1.8.1 Initial Recognition

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Investment property (continued)

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.8.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

1.8.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Impairment of assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

1.9.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets included in the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Financial instruments (continued)

Financial asset - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of financial asset

Short term investment deposit -call
Bank balances and cash
Receivables from exchange transactions
Receivables from non-exchange transactions
Investments in fixed deposits

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position:

Type of financial liabilities

Long term liabilities
Creditors
Bank overdraft
Current portion of long term liabilities

Classification in terms of GRAP 104

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Financial instruments (continued)

Initial and subsequent measurement

Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable from exchange & non-exchange transactions encompasses consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.11 Inventories

Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Inventories (continued)

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory

1.12 Revenue

General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charge

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs..

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from exchange transactions (continued)

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.14 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Provisions

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for the rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its Landfill Sites in terms of its license stipulations and a provision has been established accordingly. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets.

1.16 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Employee benefits (continued)

Post retirement health care benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Post-Employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Long-Service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-Administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 50 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

The municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Municipality As Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.19 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 42 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 43 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.24 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Comparative figures

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2013 to 30 June 2014.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.27 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic bene

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.28 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.29 Capital commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.30 Site restoration (Landfill site)

The Municipality has an obligation to rehabilitate its Landfill Sites in terms of its license stipulations and a provision has been established accordingly. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2014 by a technical specialist, D.B. Grobler, (Prof. associated valuer & appraiser). The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets.

Major assumptions concerning future events

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made by the technical specialist:

- a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- b) Doming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites;
- d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

Lifespan of the site:

- a) Olifantshoek:

The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be in 2033 (within the next 19 years).

- b) Deben:

The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be in 2023 (within the next 9 years).

1.31 Consumer deposits

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held. Consumer deposits are held in the municipality's primary bank account and available for immediate release.

Classification in terms of GRAP 104:

Financial liability at fair value

Financial Liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.32 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.32 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	01 April 2015	
GRAP 105: Transfers of functions between entities under common control	01 April 2015	
GRAP 106: Transfers of functions between entities not under common control	01 April 2015	
GRAP 107: Mergers	01 April 2015	
GRAP 20: Related parties	01 April 2016	
IGRAP 11: Consolidation – Special purpose entities	01 April 2015	
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	
GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	
GRAP32: Service Concession Arrangements: Grantor	01 April 2016	
GRAP108: Statutory Receivables	01 April 2016	
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Inventories		
Pothole mix	13 950	13 950
Fuel (Diesel, Petrol)	761 788	398 599
Water	200 388	176 778
Total Inventories	976 126	589 327

The cost of water production for the year amounted to R 10.33 per kilolitre (2014: R 8.86 per kilolitre). Raw water purchased from Kumba Iron Ore amounts to 6c per kilolitre.

The cost of fuel and consumables recognised as an expense during the year amounted to R 2 811 778.59 (2014: R 3 893 006).

No Inventories have been pledged as collateral for Liabilities of the municipality.

4. Non-current Assets Held-for-Sale

4.1 Property Held-for-Sale

The municipality reclassified the assets previously disclosed as non current assets held for sale to form part of investment property, this was done in accordance to the requirements of the provisions of GRAP 100 (Discontinued operations).

Refer to the change in accounting policy note for detail regarding the restatement.

5. Receivables from Exchange Transactions

Gross balances

Electricity	38 716 999	11 161 914
Water	45 950 059	16 308 514
Sewerage	9 118 483	4 995 537
Refuse	16 933 036	12 444 349
Other	1 766 499	1 676 849
	112 485 076	46 587 163

Less: Allowance for impairment

Electricity	(11 219 881)	(3 629 828)
Water	(12 207 606)	(8 729 228)
Sewerage	(286 190)	(1 372 891)
Refuse	(7 003 434)	(9 537 762)
Other	(95 946)	(1 339 518)
	(30 813 057)	(24 609 227)

Net balance

Electricity	27 497 118	7 532 086
Water	33 742 453	7 579 286
Sewerage	8 832 293	3 622 646
Refuse	9 929 602	2 906 587
Other	1 670 554	337 331
	81 672 020	21 977 936

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables as per the municipality's credit control policy.

Receivables from Exchange Transactions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

At 30 June 2015, the municipality is owed R 6 769 228 (30 June 2014: R2 045 277) by National and Provincial Government.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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5. Receivables from Exchange Transactions (continued)

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

5.1 Ageing of Receivables from Exchange Transactions

Electricity

Current (0 -30 days)	8 895 238	4 008 237
31 - 60 days	3 109 498	1 271 198
61 - 90 days	4 474 425	1 056 434
91 - 120 days	11 017 957	1 196 217
	27 497 118	7 532 086

Water

Current (0 -30 days)	4 876 471	4 042 926
31 - 60 days	4 326 153	1 369 685
61 - 90 days	6 432 337	863 533
91 - 120 days	18 107 492	1 303 142
	33 742 453	7 579 286

Sewerage

Current (0 -30 days)	1 555 173	1 309 146
31 - 60 days	1 451 720	1 007 466
61 - 90 days	1 313 738	1 172 283
91 - 120 days	4 511 662	133 751
	8 832 293	3 622 646

Refuse

Current (0 -30 days)	1 415 442	1 178 567
31 - 60 days	928 761	565 609
61 - 90 days	741 238	469 761
91 - 120 days	6 844 161	692 650
	9 929 602	2 906 587

Other

Current (0 -30 days)	44 614	201 213
31 - 60 days	27 519	92 294
61 - 90 days	16 702	14 626
91 - 120 days	1 581 719	29 198
	1 670 554	337 331

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Receivables from Exchange Transactions (continued)		
5.2 Summary of debtors by customer classification		
Household		
Current (0 -30 days)	9 468 843	3 544 334
31 - 60 days	5 989 054	2 328 415
61 - 90 days	7 980 471	1 575 631
+90 days	70 461 433	22 809 105
	93 899 801	30 257 485
Less: Allowance for impairment	(29 500 275)	(20 639 727)
	64 399 526	9 617 758
Industrial/ commercial		
Current (0 -30 days)	1 621 557	6 777 245
31 - 60 days	1 139 594	1 880 883
61 - 90 days	1 640 013	1 925 697
+90 days	8 081 515	3 973 653
	12 482 679	14 557 478
Less: Allowance for impairment	(1 312 782)	(3 166 515)
	11 169 897	11 390 963
National and provincial government		
Current (0 -30 days)	523 130	405 662
31 - 60 days	466 002	150 761
61 - 90 days	390 832	156 761
+90 days	4 723 421	1 011 747
	6 103 385	1 724 931
Less: Allowance for impairment	-	(802 984)
	6 103 385	921 947
Total		
Current (0 -30 days)	11 612 740	10 774 798
31 - 60 days	7 594 650	4 360 058
61 - 90 days	10 011 317	3 657 801
+90 days	83 266 369	27 794 505
	112 485 076	46 587 162
Less: Allowance for impairment	(30 813 057)	(24 609 225)
	81 672 019	21 977 937
Less: Allowance for impairment		
Current (0 -30 days)	(6 767)	(34 707)
31 - 60 days	(9 079)	(53 806)
61 - 90 days	(9 216)	(81 165)
+90 days	(30 787 994)	(24 439 548)
	(30 813 056)	(24 609 226)

5.3 Reconciliation of the Provision for Impairment

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Receivables from Exchange Transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	24 609 226	20 220 847
Impairment Losses recognised	10 564 444	7 218 893
Amounts written off as uncollectable	(4 360 614)	(2 830 514)
	30 813 056	24 609 226

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

5.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

6. Receivables from non-exchange transactions

Assessment Rates Debtors - Gross	348 620 301	12 625 425
Assessment Rates Debtors - Provision for impairment	(64 820 632)	(8 813 904)
Sundry Deposits	492 096	1 091 844
Suspense Accounts	3 616 710	2 623 841
	287 908 475	7 527 206

Receivables from Non-exchange Transactions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

The new valuation roll was implemented with effect from 1 July 2014. The valuation of particularly mining properties increased significantly due to the sale of mining land, which raised the benchmark pricing of all properties. As a result of this adjustment the rates billed increased and causes the outstanding receivables to be at a high level..

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

6.1 Ageing of Receivables from Non-exchange Transactions

Assessment Rates Debtors - Gross

Current (0 -30 days)	17 182 613	2 143 085
31 - 60 days	15 895 364	634 941
61 - 90 days	15 375 222	462 476
+ 90 Days	300 167 102	9 384 923
	348 620 301	12 625 425

Assessment Rates Debtors - Provision for impairment

Current (0 -30 days)	(695)	(9 167)
31 - 60 days	(125)	(5 175)
61 - 90 days	(161)	(6 021)
+ 90 Days	(64 819 651)	(8 793 541)
	(64 820 632)	(8 813 904)

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Sundry Deposits		
Current (0 -30 days)	492 096	1 091 844
Suspense Accounts		
Current (0 -30 days)	3 616 710	2 623 841
6.2 Summary of debtors by customer classification		
Household		
Current (0 -30 days)	2 159 640	925 476
31 - 60 days	1 294 056	381 233
61 - 90 days	1 098 340	248 407
+90 days	14 556 262	3 552 395
	19 108 298	5 107 511
Less: Allowance for impairment	(7 278 563)	(3 272 181)
	11 829 735	1 835 330
Industrial/ commercial		
Current (0 -30 days)	12 012 619	1 195 254
31 - 60 days	13 870 113	235 145
61 - 90 days	13 496 062	196 061
+90 days	289 423 128	5 571 338
	328 801 922	7 197 798
Less: Allowance for impairment	(57 542 069)	(5 311 314)
	271 259 853	1 886 484
National and provincial government		
Current (0 -30 days)	30 044	22 872
31 - 60 days	30 044	18 562
61 - 90 days	26 433	18 008
+90 days	579 322	261 191
	665 843	320 633
Less: Allowance for impairment	-	(230 409)
	665 843	90 224
Total		
Current (0 -30 days)	14 202 302	2 143 602
31 - 60 days	15 194 213	634 941
61 - 90 days	14 620 835	462 476
+90 days	304 558 712	9 384 923
> 365 days	4 153 045	-
	352 729 107	12 625 942
Less: Allowance for impairment	(64 820 632)	(8 813 904)
	287 908 475	3 812 038
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	8 813 904	7 155 732
Impairment Losses recognised	56 070 927	1 698 665
Amounts written off as uncollectible	(64 199)	(40 493)
	64 820 632	8 813 904

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

7. VAT receivable

VAT	2 206 464	8 286 619
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

8. Cash and cash equivalents

Cash and Cash Equivalents	1 800	1 800
Current Investments	8 218 788	10 114 003
Bank overdraft	(27 239 699)	(30 106 446)
	(19 019 111)	(19 990 643)
Current assets	8 220 588	10 115 803
Current liabilities	(27 239 699)	(30 106 446)
	(19 019 111)	(19 990 643)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

8.1 Current Investment Deposits

Short-term deposits	8 218 788	10 114 003
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The prior year amount for Cash and cash equivalents has been restated to account for all bank accounts at year-end. Refer to Note 58 on "Correction of Error" for details of the restatement

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 1% to 3.9% per annum.

Deposits of R 1 995 895 (2014: R 4 356 908) are ring-fenced and attributable to Unspent Conditional Grants.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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8. Consumer debtors disclosure (continued)

8.2 Bank Accounts

Bank overdraft	(27 239 699)	(30 106 446)
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The Municipality has the following bank account:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FIRST NATIONAL BANK - Account Number 53668 006 069	6 177 266	7 401 891	11 547 734	(27 993 179)	(30 159 496)	(22 912 836)

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

8.3 Cash and Cash Equivalents

Cash Floats and Advances	1 800	1 800
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The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

9. Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	116 954	129 045
Operating Lease Revenue recorded	267 588	261 126
Operating Lease Revenue effected	(276 262)	(273 217)
	108 280	116 954

9.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 15 (2014: 1 to 15) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Additional text

9.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Up to 1 year	252 369	252 941
2 to 5 years	453 123	476 166
More than 5 years	294 171	146 072
	999 663	875 179

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R 8 674 (2014: increase of R12 091) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9.3 Contingent Rentals

Properties have been leased to external parties during the year under review on a month to month basis or for indefinite periods. These rentals are classified as contingent rentals due to uncertain lease periods and uncertain tariff increases. The operating lease payments are therefore not subject to straight-lining. Due to the uncertainties above, it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

10. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	50 845 378	-	50 845 378	50 845 378	-	50 845 378
Buildings	85 595 287	(26 847 438)	58 747 849	85 595 287	(22 692 322)	62 902 965
Infrastructure	1 274 959 477	(669 858 320)	605 101 157	1 194 278 773	(626 609 758)	567 669 015
Community	128 024 793	(52 808 052)	75 216 741	128 024 793	(46 055 643)	81 969 150
Other property, plant and equipment	38 652 053	(11 133 592)	27 518 461	23 000 705	(7 729 722)	15 270 983
Capital assets under construction	52 115 366	-	52 115 366	80 736 011	-	80 736 011
Total	1 630 192 354	(760 647 402)	869 544 952	1 562 480 947	(703 087 445)	859 393 502

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Total
Land	50 845 378	-	-	-	50 845 378
Buildings	62 902 965	-	-	(4 155 116)	58 747 849
Infrastructure	567 669 015	95 203	80 585 501	(43 248 562)	605 101 157
Community	81 969 150	-	-	(6 752 409)	75 216 741
Other property, plant and equipment	15 270 984	15 651 348	-	(3 403 871)	27 518 461
Capital assets under construction	80 736 011	51 964 856	(80 585 501)	-	52 115 366
	859 393 503	67 711 407	-	(57 559 958)	869 544 952

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	50 845 378	-	-	-	-	-	50 845 378
Buildings	63 979 140	3 087 127	-	-	(4 163 302)	-	62 902 965
Infrastructure	580 475 826	741 457	-	27 574 021	(41 122 289)	-	567 669 014
Community	78 213 954	9 353 230	-	1 257 194	(6 855 228)	-	81 969 150
Other property, plant and equipment	17 489 914	1 114 756	(525 392)	-	(2 467 861)	(340 433)	15 270 984
Capital assets under construction	44 349 111	65 263 787	-	(28 876 887)	-	-	80 736 011
	835 353 323	79 560 357	(525 392)	(45 672)	(54 608 680)	(340 433)	859 393 501

The opening balance of Property, Plant and Equipment has been restated with regards to corrections made to the Asset Register that was implemented as at 30 June 2013. Refer to Note 58 on "Correction of Error" for details of the restatement.

Also refer to Appendices "B" for more detail on Property, Plant and Equipment.

10.1 Pledged as security

The municipality did not pledge any of its assets as security.

10.2 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R 0.00 (2014: R340 433) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35.

10.3 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

10.4 Calculation of Cash Flow:

Acquisitions	-	(1 881 283)
Capital under construction - Additions	(46 329 330)	(102 026 829)

11. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 738 918	(1 374 876)	3 364 042	1 854 323	(720 938)	1 133 385

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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11. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 133 385	2 884 596	(653 939)	3 364 042

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 186 853	278 338	(331 806)	1 133 385

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

There are no contractual obligations on Intangible Assets.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

12. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	161 314 526	-	161 314 526	161 314 526	-	161 314 526

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	161 314 526	161 314 526

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	161 314 526	161 314 526

The opening balance of Investment Property has been restated with regards to corrections made to the Asset Register that was implemented as at 30 June 2013. Refer to Note 58 on "Correction of Error" for details of the restatement.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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12. Investment property (continued)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

12.1 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	74 581	-	74 581	74 581	-	74 581

Reconciliation of heritage assets 2015

	Opening balance	Total
Heritage assets	74 581	74 581

Reconciliation of heritage assets 2014

	Opening balance	Total
Heritage assets	74 581	74 581

14. Consumer deposits

Electricity and Water	5 709 474	4 639 486
Guarantees held in lieu of Electricity and Water Deposits	20 000	20 000

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Provision for Rehabilitation of Land-fill Sites	4 092 456	424 869	4 517 325
Long-term Service Liability	432 495	204 896	637 391
Post-retirement Medical Aid Benefits Liability	645 972	45 684	691 656
	5 170 923	675 449	5 846 372

Reconciliation of provisions - 2014

	Opening Balance	Contributions to provision	Total
Provision for Rehabilitation of Land-fill Sites	3 764 035	328 421	4 092 456
Long-term Service Liability	331 526	100 969	432 495
Post-retirement Medical Aid Benefits Liability	530 856	115 116	645 972
	4 626 417	544 506	5 170 923

Non-current liabilities	4 517 325	4 092 456
Current liabilities	1 329 047	1 078 467
	5 846 372	5 170 923

Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R 2,685 539 (Debeng landfill site) and R 6,029,896 (Olifantshoek landfill site) to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

16. Payables from exchange transactions

Trade Creditors	1 086 573	800 761
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Payables from Exchange Transactions have been restated to account for expenses not accrued for previously. Refer to Note 58 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
17. Taxes and transfers payable (non-exchange)		
Payments Received In Advance	16 521 927	5 129 931
Staff Leave	6 174 247	4 547 806
Sundry Deposits	2 298 670	2 087 511
Suspense Accounts	9 338 294	3 484 424
	34 333 138	15 249 672

Payables from Non-exchange Transactions have been restated to account for expenses not accrued for previously and correct other errors. Refer to Note 58 on "Correction of Error" for details of the restatement.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

18. Other financial liabilities

At amortised cost

Annuity Loans - Non-current	33 040 594	38 083 192
Annuity Loans - Current	(3 802 619)	(4 422 609)
	29 237 975	33 660 583

Total other financial liabilities

29 237 975 33 660 583

Non-current liabilities

At amortised cost	25 435 357	29 237 975
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Current liabilities

At amortised cost	3 802 618	4 422 608
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18.1

Calculation of Cash Flow:

Opening Balance of Long-term Liabilities	(29 237 975)	(33 660 584)
Closing Balance of Long-term Liabilities	25 435 357	29 237 975
Opening Balance of current portion of Long-term Liabilities	(4 422 608)	(4 011 996)
Closing Balance of current portion of Long-term Liabilities	3 802 618	4 422 608
	(4 422 608)	(4 011 997)

Annuity Loans are repaid over periods varying from 1 to 7 (2014: 1 to 7) years and at interest rates varying from 8.63% to 11.06% (2014: 8.63% to 11.06%) per annum. Annuity Loans are not secured.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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18. Other financial liabilities (continued)

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.2 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: MIG Funds	1 532 206	-
Provincial Government Grants	-	1 217 129
	1 532 206	1 217 129

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government and Note 27 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-Retirement Health Care Benefits Liability	(32 016 207)	(29 065 776)
Long Service Awards Liability	(5 290 985)	(3 975 455)
	(37 307 192)	(33 041 231)

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Employee benefit obligations (continued)		
20.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	29 711 748	22 292 184
Current service costs	1 745 269	1 330 947
Increase due to Discounting	2 697 249	1 993 705
Actuarial gains & losses & benefits paid	(1 446 403)	4 094 912
Balance at end of Year	32 707 863	29 711 748
Current portion	(691 656)	(645 972)
Total Post-retirement Health Care Benefits Liability	32 016 207	29 065 776

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	235	254
Continuation Members (Retirees, widowers and orphans)	16	16
Total Members	251	270

The liability in respect of past service has been estimated as follows:

In-service Members	23 085 821	20 323 009
Continuation Members	9 622 042	9 388 739
Total Liability	32 707 863	29 711 748

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9,05 %	9,18 %
Health Care Cost Inflation Rate	8,14 %	8,33 %
Net Effective Discount Rate	0,84 %	0,79 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality during employment	SA 85 - 90	SA 85 - 90
Mortality tables post-retirement	PA ((90)-1	PA(90) - 1

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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20. Employee benefit obligations (continued)

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	29 711 748	22 292 184
Current service cost	1 745 269	1 330 947
Interest cost	2 697 249	1 993 705
Benefits paid	(645 972)	(530 856)
Actuarial losses / (gains)	(800 431)	4 625 768
Total Recognised Benefit Liability	32 707 863	29 711 748

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	32 707 150	29 711 748
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 745 269	1 330 947
Interest cost	2 697 249	1 993 705
Actuarial losses / (gains)	(800 431)	4 625 768
Less: Benefits paid	(645 972)	(530 856)
Total Post-retirement Benefit included in Employee Related Costs	2 996 115	7 419 564

The history of experienced adjustments is as follows:

	2015 R 000	2014 R 000	2013 R 000	2012 R 000	2011 R 000
Present Value of Defined Benefit Obligation	32 707	29 712	22 292	18 058	17 692

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	5 401 800	4 022 500
Effect on the defined benefit obligation	38 812 000	35 276 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	3 693 900	2 778 200
Effect on the defined benefit obligation	27 848 000	25 273 000

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Employee benefit obligations (continued)		
20.2 Long Service Awards Liability		
Balance at beginning of Year	4 407 950	4 112 324
Contribution to provision	450 920	(98 173)
Increase due to discounting	334 849	286 968
Current service cost & benefits paid	734 657	106 831
Balance at end of Year	5 928 376	4 407 950
Current portion	(637 391)	(432 495)
Total Long Service Awards Liability	5 290 985	3 975 455

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Longservice Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C. Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 358 (2014: 363) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R 450,920, whereas the cost for the ensuing year is estimated to be R 642,004 (30 June 2014: R 438,357 and R 450,920 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8,03 %	7,98 %
General Salary Inflation	7,10 %	7,24 %
Net Effective Discount Rate	0,87 %	0,69 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality tables during employment	SA 85 - 90	SA 85 - 90

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	4 407 950	4 112 324
Current service costs	450 920	438 357
Interest cost	334 849	286 968
Benefits paid	(432 495)	(331 526)
Actuarial losses / (gains)	1 167 153	(98 173)
Total Recognised Benefit Liability	5 928 377	4 407 950

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5 928 377	4 407 950
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	450 920	438 357
Interest cost	334 849	286 968
Actuarial losses / (gains)	1 167 153	(98 173)
Less: Benefits paid	(432 495)	(331 526)
Total Post-retirement Benefit included in Employee Related Costs	1 520 427	295 626

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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20. Employee benefit obligations (continued)

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	5 928 377	4 407 950	4 112 324	3 530 447	2 909 523

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	851 200	785 200
Effect on the defined benefit obligation	6 329 000	4 705 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	727 600	672 100
Effect on the defined benefit obligation	5 568 000	4 140 000

Refer to Note 52, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

21. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and

Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	1 273 097 423	946 643 609
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Accumulated Surplus has been restated. Refer to Notes 58 on "Correction of Errors" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. Property rates		
Rates received		
Property Rates Income	396 055 807	27 475 036
Less: Income forgone	(4 552 975)	(3 852 148)
	391 502 832	23 622 888

Valuations

Residential Properties	4 256 935 564	2 265 336 303
Industrial Properties	4 470 000	56 311 633
Business Properties	327 622 000	180 517 507
Agriculture Properties	1 313 652 010	271 888 800
Municipal Farms	68 288 020	4 436 900
State owned Properties	56 403 000	41 062 989
Municipal Properties	279 885 900	303 669 644
Public Service Infrastructure	6 611 000	1 779 070
Public Benefit Organisations	-	2 075 460
Churches	36 203 000	28 170 768
Education	40 950 000	33 691 720
Mining Properties	10 520 025 000	67 128 700
Guest House	42 110 000	46 678 754
Farms Face In	120 907 000	54 850 935
Small Holdings	83 100 000	11 837 500
PBO Sporting Bodies	-	9 590 300
Government Hospitals	6 700 000	655 000
Private Hospitals	7 000 000	2 942 000
Existing Farms - Without Dwellings	138 565 000	45 060 900
Farms Face In - Without Dwellings	187 158 000	43 007 100
Small Holdings - Without Dwellings	1 900 000	-
	3 470 691 983	

Calculation of Cash Flow:

Property rates income	391 502 832	23 622 888
Opening balance of Debtors: Assessment Rates	12 625 425	10 826 698
Closing balance of Debtors: Assessment Rates	(348 620 301)	(12 625 425)
Opening balance - Provision for doubtful debts	(8 813 904)	(7 155 732)
Closing balance - Provision for doubtful debts	64 820 632	8 813 904
Total Receipts for Property Rates	111 514 684	23 482 333

Property rates have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 01 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.008489 was charged on site values and a rate in the rand of R 0.008489 for improvements. Business were charged at a rate in the rand of R 0.016979 on site values and a rate in the rand of R 0.016979 for improvements.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 15 000.00 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community.

Rates are levied monthly on property owners and are payable the end of each month.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Fines		
General	152 807	91 953
Traffic	209 841	683 250
Total fines	362 648	775 203
24. Licences and permits		
Drivers licences	829 808	1 051 307
Other general	342	3 782
Total Licences and Permits	830 150	1 055 089
25. Income from agency services		
Motor licences	2 473 165	2 475 622
Total Income from Agency Services	2 473 165	2 475 622

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies		
Operating grants		
Equitable share	22 045 000	21 203 000
National: Finance Management Grant (FMG)	1 600 000	1 550 000
National: Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Provincial: Library	1 334 170	249 496
	25 913 170	23 892 496
Capital grants		
National: Municipal Infrastructure Grant (MIG)	10 105 794	11 023 000
National: Department of Minerals & Energy (INEP)	3 500 000	6 400 000
Provincial: Department of Public Works: Epwp Program	1 000 000	1 000 000
Provincial: COGHSTA	6 967 845	5 415 982
Provincial: Department of Water Affairs & Forestry	872 959	7 489 743
	22 446 598	31 328 725
Total Government Grants and Subsidies	48 359 768	55 221 221
Calculation of Cash Flow:		
Included in above are the following grants and subsidies received:		
Government Grants and Subsidies Income	48 359 768	55 221 221
Opening Balance of Unspent Government Grants	(1 217 129)	(1 221 349)
Closing Balance of Unspent Government Grants	1 532 206	1 217 129
Total Receipts for Government Grants and Subsidies	48 674 845	55 217 001
Equitable Share		
Equitable share	22 045 000	21 203 000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R 381.60 (2014: R268.9), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council.		
All residential houses receive 6kl water, 9 kl water for sewer and 50 kwh electricity (indigents only) free every month. No funds have been withheld.		
National: Finance Management Grant (FMG)		
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to Revenue: Operating Expenses	(1 600 000)	(1 550 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
National: MIG Funds		
Current-year receipts	11 638 000	11 023 000
Conditions met - transferred to Revenue: Capital Expenses	(10 105 794)	(11 023 000)
Conditions still to be met - transferred to Liabilities	1 532 206	-
Conditions still to be met - remain liabilities (see note 19).		

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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26. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

National: Municipal Systems Improvement Grant (MSIG)

Current-year receipts	934 000	890 000
Conditions met - transferred to Revenue: Operating Expenses	(934 000)	(890 000)
Conditions still to be met - transferred to Liabilities	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

National: Department of Minerals & Energy (INEP)

Current-year receipts	3 500 000	6 400 000
Conditions met - transferred to Revenue: Capital Expenses	(3 500 000)	(6 400 000)
Conditions still to be met - transferred to Liabilities	-	-

The grant was allocated for the upgrading of poor households, micro enterprises and social institutions to provide for new, rehabilitation and upgrading of municipal infrastructure.

Provincial: Expanded Public Works Program

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Capital Expenses	(1 000 000)	(1 000 000)
Conditions still to be met - transferred to Liabilities	-	-

This grant was allocated to the municipality for the upgarding of roads within the municipal area. No funds have been withheld.

Provincial: Library

Balance unspent at beginning of year	344 170	98 666
Current-year receipts	990 000	495 000
Conditions met - transferred to Revenue: Operating Expenses	(1 334 170)	(224 735)
Other Adjustments/Refunds	-	(24 761)
Conditions still to be met - transferred to Liabilities	-	344 170

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to the municipality for community projects. No funds have been withheld.

Provincial: COGHSTA

Balance unspent at beginning of year	-	1 122 683
Current-year receipts	6 967 845	4 293 299
Conditions met - transferred to Revenue: Operating Expenses	-	(4 796 553)
Conditions met - transferred to Revenue: Capital Expenses	(6 967 845)	(619 429)
Conditions still to be met - transferred to Liabilities	-	-

The grant was allocated to the municipality for the construction of RDP houses in Sesheng (490 houses) and Olifantshoek (200 houses) as well as 200 rental units in Kathu.

Provincial: Department of Water Affairs & Forestry

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies (continued)		
Balance unspent at beginning of year	872 959	-
Current-year receipts	-	8 362 703
Conditions met - transferred to Revenue: Operating Expenses	-	(165 947)
Conditions met - transferred to Revenue: Capital Expenses	(872 959)	(7 323 797)
Conditions still to be met - transferred to Liabilities	-	872 959

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to the municipality for the upgarding of municipal water infrastructure assets. No funds have been withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

27. Public contributions and donations

Assmang Mining	-	10 759 290
Public contributions and donations	1 085 600	10 000
Kumba Iron Ore	5 322 637	20 430 351
Total Public Contributions and Donations	6 408 237	31 199 641

Conditions still to be met - remain liabilities (see note 19)

Public contributions have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

Public contributions and donations	6 408 237	31 199 640
Opening Balance of Unspent Public Grants	-	-
Closing Balance of Unspent Public Grants	-	-
Total Receipts for Public Contributions and Donations	6 408 237	31 199 640

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
28. Service charges		
Sale of electricity	124 686 909	89 807 893
Sale of water	61 703 861	45 945 041
Sewerage and sanitation charges	17 082 102	11 479 820
Refuse removal	15 847 913	13 691 782
Other service charges	50 438 213	48 689 782
Total Service Charges	269 758 998	209 614 318

Service charges have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

Service charges	269 758 997	209 614 317
Opening Balance of Debtors: Service Charges	46 587 164	36 324 587
Closing Balance of Debtors: Service Charges	(112 485 075)	(46 587 164)
Opening balance - Provision for doubtful debts	(24 609 226)	(20 220 847)
Closing balance - Provision for doubtful debts	30 813 056	24 609 226
Total Receipts for Service Charges	210 064 916	203 740 119

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

29. Rental of facilities and equipment

Rental revenue from land	136 093	218 245
Rental revenue from amenities	-	36 908
Rental revenue from other facilities	117 558	141 708
Total Rental of Facilities and Equipment	253 651	396 861

Rental of Facilities and Equipment has been restated to account for prior year errors. Refer to Note 58 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

30. Interest earned

External Investments:

Bank account & Call investment deposits	806 380	308 882
Interest - Other	313 817	139 381
Total Interest Earned	1 120 197	448 263

Interest earned have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

Calculation of Cash Flow:

External Interest Income	1 120 196	448 263
Opening Balance of Accrued Interest	-	-
Closing Balance of Accrued Interest	-	-
Total Receipts for Interest Received	1 120 196	448 263

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
30. Interest earned (continued)		
Financial Assets at Amortised Cost	1 120 196	448 263
	1 120 196	448 263
31. Other income		
Cemetery fees	27 373	22 180
Collection charges	61 314	40 993
Connection fees	652 644	358 105
Entrance fees	-	108 316
Insurance claim	163 449	3 634 580
Photocopies	16 798	13 540
Refuse removal fees	1 808	8 122
Sundry revenue	1 122 363	1 279 955
Tender documents	163 194	48 337
Valuation roll fee	56 523	33 157
Various sales	357 356	594 890
Total Other Revenue	2 622 822	6 142 175

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
32. Employee related costs		
Basic	71 779 143	52 831 971
Contributions for UIF, Pensions and Medical Aids	15 150 485	12 604 299
Bonus provision	-	-
Defined contribution plans	4 516 541	7 715 190
Travel, motor car, accommodation, subsistence and other allowances	2 697 344	2 678 113
Overtime payments	8 316 626	6 613 821
Housing benefits and allowances	1 126 211	1 100 696
FMG Interns	1 600 000	1 550 000
Total Employee Related Costs	105 186 350	85 094 090

Calculation of Cash Flow:

Employee costs - salaried staff	(105 186 350)	(85 094 091)
Opening balance of Employee benefit obligation - Non current	(33 041 231)	(25 542 126)
Closing balance of Employee benefit obligation - Non current	37 307 192	33 041 231
Opening balance of Employee benefit obligation - Current	(1 586 066)	(977 584)
Closing balance of Employee benefit obligation - Current	1 212 769	1 586 066
Opening balance of Provision for staff leave	(4 547 806)	(3 667 777)
Closing balance of Provision for staff leave	6 174 247	4 547 806
Total Outflow	(99 667 245)	(76 106 475)

No advances were made to employees.

Remuneration of Municipal Manager

Annual Remuneration	875 968	898 124
Car and Other Allowances	275 304	267 275
13th Cheque	96 741	-
Company Contributions to UIF, Medical and Pension Funds	39 037	10 978
Total	1 287 050	1 176 377

Remuneration of Chief Financial Officer

Annual Remuneration	676 669	657 665
Car and Other Allowances	430 183	281 821
13th Cheque	78 988	-
Company Contributions to UIF, Medical and Pension Funds	3 691	10 104
Total	1 189 531	949 590

The post was vacant as from 01 April 2013 to December 2013. An acting allowance was paid to Mr NM Grond for the period.

Remuneration of the Director: Community Services - RC Apools

Annual Remuneration	602 544	712 890
Car and Other Allowances	305 667	267 275
13th Cheque	70 212	-
Company Contributions to UIF, Medical and Pension Funds	3 098	11 179
Total	981 521	991 344

Remuneration of the Acting Director: Corporate Services - CM Phuti

Annual Remuneration	-	120 390
Car and Other Allowances	-	33 414

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
32. Employee related costs (continued)		
Company Contributions to UIF, Medical and Pension Funds	-	22 916
Total	-	176 720

The post was vacant until 30 September 2013 and CM Phuti was paid acting allowance for position during that vacant period.

Remuneration of the Director: Corporate Services - L Seetile

Annual Remuneration	702 544	609 058
Car and Other Allowances	202 883	14 457
13th Cheque	70 212	-
Company Contributions to UIF, Medical and Pension Funds	3 223	7 562
Total	978 862	631 077

The position was vacant until 30 September 2013. MR L Seetile was permanently appointed from 1 October 2013

Remuneration of the Director: Infrastructure - KN Ositang

Annual Remuneration	602 544	664 678
Car and Other Allowances	267 825	268 863
Company Contributions to UIF, Medical and Pension Funds	3 084	39 214
Total	873 453	972 755

Mr KN Ositang was permanently employed from 1 May 2013.

Remuneration of the Director: Strategic Services KJ Leserwane

Annual Remuneration	702 544	609 058
Car and Other Allowances	178 370	12 857
Performance Bonuses	70 212	-
Company Contributions to UIF, Medical and Pension Funds	3 182	7 601
Total	954 308	629 516

This is a new post created during the 2013/14 financial year and Mr KJ Leserwane was permanently employed in this position from 1 October 2013.

33. Remuneration of councillors

Councillors	1 787 810	1 755 601
Company Contributions to UIF, Medical and Pension Funds	323 864	269 010
Other Allowances (Cellular Phones, Housing, Transport, etc.)	681 618	612 641
Total Councillors' Remuneration	2 793 292	2 637 252

In-kind benefits

The Councillor occupying the position of the Mayor of the municipality serve in a full-time capacity. She is provided with office accommodation and secretarial support at the expense of the municipality in order to enable her to perform her official duties.

The Mayor has use of a Council owned vehicle for official duties.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
34. Depreciation and amortisation		
Property, plant and equipment	57 909 739	54 148 083
Intangible assets	304 156	331 806
Total Depreciation and Amortisation	58 213 895	54 479 889
35. Impairment of assets		
Impairments		
Property, plant and equipment	-	340 433
Trade and other receivables	66 635 371	9 383 381
	66 635 371	9 723 814
36. Repairs and maintenance		
Land and Buildings	57 685	168 103
Infrastructure - Electricity	2 533 752	29 776 223
Infrastructure - Road Transport	1 062 162	530 594
Infrastructure - Other	8 329 850	4 546 435
Other Assets	3 717 496	3 954 448
Total Repairs and Maintenance	15 700 945	38 975 803
37. Finance costs		
Long-term liabilities	3 135 755	3 546 250
Creditors overdue	178	108 878
Landfill provision	216 440	328 421
Total Interest Paid on External Borrowings	3 352 373	3 983 549
38. Bulk purchases		
Electricity	84 403 979	71 763 473
Water	12 486 985	10 390 055
Total Bulk Purchases	96 890 964	82 153 528
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Sedibeng Water.		
39. Contracted services		
Commission paid	2 288 108	2 050 905
Project related expenses	4 687 256	5 686 554
Licences & permits	260 313	162 427
Rentals paid	1 394 158	568 726
Security services	2 395 902	2 119 402
Total Contracted Services	11 025 737	10 588 014
40. Grants and subsidies paid		
Other subsidies		
Low Income Subsidy / Free Basic Services (Equitable share)	2 402 570	1 758 783
Other (RBIG)	-	165 946
Total Grants and Subsidies	2 402 570	1 924 729

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
40. Grants and subsidies paid (continued)		
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		
41. General expenses		
Included in General Expenses are the following:		
Advertising	194 302	317 250
Auditors remuneration	2 471 833	2 623 254
Bank charges	805 535	745 664
Books, Magazines & Publication	6 030	17 196
Call Centre	42 350	33 110
Cleaning Materials	107 810	46 138
Cleaning	69 499	69 890
Conferences and seminars	99 990	38 082
Consultant Fees	5 579 053	1 059 419
Elec Pre-Paid Meter Issue	226 691	225 872
Entertainment	124 624	177 885
Fuel and oil	2 811 779	3 296 128
Functions / Events	168 383	536 253
Impounding Of Animals	57 389	41 708
Insurance	790 765	1 069 703
IT expenses	20 814	68 335
Library Expenses	812 652	218 216
Staff welfare	371 500	-
Legal Costs	2 157 365	934 696
Membership Fees	678 890	729 675
Pms	195 022	345 125
Postages	116 077	158 642
Printing and stationery	791 831	508 048
Protective clothing	50 596	156 153
Water	61 527	-
Safety Equipment	55 824	4 314
Special Programmes	220 840	163 713
Sports Council	105 622	23 006
Stores & Materials	246 908	93 844
Subsistence & Travelling	3 106 801	2 710 124
Sundries	1 264 172	852 565
Telephone & Communication	1 415 371	1 250 540
Traffic /Road Signs	7 500	15 162
Training Levies	748 730	1 187 491
Valuation Roll (Msig)	113 560	1 898 325
Ward Comm Activities & Train	435 759	389 612
Youth Dev. Programmes	144 214	170 947
Interdepartmental Charges	8 359 547	1 650 242
Total General Expenses	35 037 155	23 826 327

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Interdepartmental Charges are charged to other trading and economic services for support services rendered

General expenses have been restated to account for corrections of prior year balances. Refer to Note 58 on "Correction of Error" for details of the restatement.

42. Loss on write-off of property, plant and equipment

Assets Disposed at Carrying Value	-	525 392
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Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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43. Changes in accounting policy

The municipality adopted the following Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy Note 1:

- GRAP 100 : Discontinued operations
- GRAP 5: Borrowing costs

GRAP 100 - Discontinued operations

The measurement, presentation and disclosure requirements related to non-current assets held for sale were withdrawn in (February 2013) GRAP 100.

An entity shall apply the amendments as follows:

(a) Changes to the way in which non-current assets held for sale are measured, shall be applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2014 and the Accumulated Surplus of prior years was not affected either. It resulted in an increase in the Investment property balance by R1 187 000 and a decrease in Non-current Assets held for sale of R1 187 000, with a zero effect on accumulated surplus as at 30 June 2014.

44. Cash generated from operations

Surplus	326 453 814	17 038 889
Adjustments for:		
Depreciation and amortisation	58 213 895	54 479 889
Impairment Losses on Property, Plant and Equipment	-	340 433
Gain on sale of assets and liabilities	-	525 392
Rent received - Straight-lining of operating lease receivables	8 674	12 092
Contribution to Employee Benefit Liability - Non current	4 265 961	7 499 105
Contribution to Employee Benefit Liability - Current	250 580	216 085
Rehabilitation of landfill site movements	424 869	328 421
Leave accrued contributions	1 626 441	880 030
Impairment losses: Provision for doubtful debts - exchange transactions	10 564 446	7 218 893
Impairment losses: Provision for doubtful debts - Non exchange transactions	56 070 927	2 164 487
Changes in working capital:		
Inventories	(386 798)	(279 042)
Receivables from exchange transactions	(66 635 371)	(13 090 320)
Receivables from non exchange transactions (Rates)	(59 694 082)	(2 305 043)
Receivables from non exchange transactions (other)	(280 381 270)	6 586 476
Payables from exchange transactions	285 812	(501 300)
VAT	6 080 155	(1 222 909)
Payables from non exchange transactions	17 457 026	3 837 366
Unspent conditional grants and receipts	315 077	(4 220)
Consumer deposits	1 069 987	547 737
	75 990 143	84 272 461

45. Non-cash investing and financing transactions

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
46. Unauthorised expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	53 733 265	44 756 394
Unauthorised Expenditure current year	63 332 444	53 733 265
Approved by Council or condoned	(53 733 265)	(44 756 394)
Unauthorised Expenditure awaiting authorisation	63 332 444	53 733 265

Unauthorised expenditure relates to the overspending of the total amount appropriated for a vote. In the prior financial year, unauthorised expenditure was calculated according GFS functions (Government Finance Statistics classification system) and amounted to R 13,247,130 which was condoned by council in the 2014 financial year. The calculation of unauthorised expenditure was however changed in the 2014 financial year based on the municipality's own vote structure which resulted in a decrease of the comparative amount to R 9,144,067. The total amount condoned by council in the 2014 financial year was R 48,859,457.

47. Irregular expenditure

Opening balance	182 734 386	-
Add: Irregular Expenditure - current year	45 709 846	182 734 386
Less: Amounts written off	(23 831 370)	-
Irregular Expenditure awaiting write off	204 612 862	182 734 386

Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	
Irregular expenditure include expenditure contrary to SCM Processes.	To be submitted to Council to be written off	3 713 310
Goods & Services with transaction value below R200 000 procured without obtaining the required price quotations.		
Irregular expenditure include expenditure contrary to SCM Processes.	To be submitted to Council to be written off	6 397 795
Goods & Services with transaction value above R200 000 procured without obtaining the required price quotations or following the SCM processes		
Tax clearance not obtained	To be submitted to Council to be written off	178 117
All quotations not obtained	To be submitted to Council to be written off	461 411
Bidders in service of the state	To be submitted to Council to be written off	5 350 569
Unsatisfactory deviation	To be submitted to Council to be written off	19 288
Supplier municipal accounts not submitted with bids	To be submitted to Council to be written off	17 982 207
Bids not advertised for the appropriate timeframe	To be submitted to Council to be written off	11 607 149
		45 709 846

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
47. Irregular expenditure (continued)		
Details of irregular expenditure - prior year		
Irregular expenditure include expenditure contrary to SCM Processes. Goods & Services with transaction value below R200 000 procured without obtaining the required price quotations.	To be submitted to Council to be written off	16 332 542
Suppliers declaration of interest not obtained	To be submitted to Council to be written off	1 739 920
Goods & Services with transaction value above R200 000 procured without obtaining the required price quotations.	To be submitted to Council to be written off	3 188 563
SCM processes not followed	To be submitted to Council to be written off	2 570 346
Further instances relating to procurement of Goods and Services and Capital Expenditure are under investigation:		-
Review of declarations made by bidders with regards to their municipal accounts and rates & taxes. This amount has been restated.	To be investigated and submitted to Council to be written off.	142 826 887
Expenditure contrary to SCM Processes - Goods and Services with transaction value above R 200,000. This amount has been restated.	To be investigated and submitted to Council to be written off	16 076 128
		182 734 386

Further instances relating to procurement of Goods and Services and Capital Expenditure are under investigation.

48. Fruitless and wasteful expenditure

Opening balance	297 290	188 412
Fruitless and Wasteful Expenditure current year	4 510	108 878
Written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	301 800	297 290

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised Local government - SALGA

Opening balance	-	-
Council subscription	678 890	729 675
Amount paid - current year	(678 890)	(729 675)
Balance Unpaid (included in Creditors)	-	-

Audit fees

Opening balance	-	-
Current year audit fee	2 817 890	2 990 510
Amount paid - current year	(2 817 890)	(2 990 510)
Balance Unpaid (included in Creditors)	-	-

PAYE, Skills Development Levy and UIF

Opening balance	-	-
Current year subscription / fee	14 591 954	9 322 817
Amount paid - current year	(14 591 954)	(9 322 817)
Balance Unpaid (included in Creditors)	-	-

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	21 663 813	18 584 817
Amount paid - current year	(21 663 813)	(18 584 817)
Balance Unpaid (included in Creditors)	-	-

VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

During the years under review, the following VAT payments have been made to SARS:

VAT receivable	2 206 464	8 286 619
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
O.E. Hantise	632	4 063	4 695
S. Kaars	195	28 663	28 858
G.M. Vos	12 221	31 665	43 886
Total Councillor Arrear Consumer Accounts	13 048	64 391	77 439

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
O.E Hantise	-	12 288	12 288
J. Johnson	-	55 461	55 461
G. Vos	-	79 380	79 380
I. Obuseng	-	4 759	4 759
M.M. Diniza	-	1 752	1 752
Total Councillor Arrear Consumer Accounts	-	153 640	153 640

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviation from, and ratification of minor breaches of, the Procurement Processes

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful tenderer	Reason	Amount
Gamagara Local Municipality	Year 2014/15	Various case	Various reasons like preferred supplier & venue, urgency, only 1 or 2 suppliers registered on databasis, specialised products, limited to 1 supplier.	28 360 684

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Electricity

		Lost Units	Value
30 June 2015	Unaccounted Electricity Losses	15 312 908	13 538 890
30 June 2014	Unaccounted Electricity Losses	16 593 242	18 977 943

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	108 056 202	100 082 872
Billed Consumption	(92 743 294)	(83 489 631)

Distribution Loss

	15 312 908	16 593 241
Percentage Distribution Loss	14,17 %	16,58 %
Loss (R):	13 538 890	18 977 843

Calculated as follows :

Water

	Lost Units	Value
30 June 2015	Unaccounted Water Losses	33 614
30 June 2014	Unaccounted Water Losses	23 236

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

50. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	50 333 654	29 664 156
• Other	-	-
• Housing Development Fund	-	11 982 523

Total Capital Commitments	50 333 654	41 646 679
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Total capital commitments

Already contracted for but not provided for	50 333 654	41 646 679
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This expenditure will be financed from:

• Capital Replacement Reserve	-	37 533 105
• Government Grants	50 333 654	1 626 325
• Public Contributions	-	2 487 249

50 333 654	41 646 679
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Authorised operational expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

51. Financial instruments disclosure

51.1 Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions			
Electricity	-	27 497 118	27 497 118
Refuse	-	9 929 602	9 929 602
Sewerage	-	8 832 293	8 832 293
Water	-	33 742 453	33 742 453
Other Receivables	-	1 670 553	1 670 553
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	-	287 908 475	287 908 475
Suspense accounts	-	2 616 710	2 616 710
Sundry Debtors	-	492 096	492 096
Cash and Cash Equivalents			
Call Deposits	-	8 218 788	8 218 788
Cash Floats and Advances	1 800	-	1 800
	1 800	380 908 088	380 909 888

Financial liabilities

	At fair value	At amortised cost	Total
Long-term Liabilities			
Annuity Loans	-	25 435 357	25 435 357
Payables from Exchange Transactions			
Trade Creditors	-	361 575	361 575
Consumer Deposits	5 709 474	-	5 709 474

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Payables from Non-exchange Transactions		
Staff Leave Accrued	- 5 792 591	5 792 591
Sundry Deposits	- 2 280 374	2 280 374
Bank Overdraft		
Bank Overdraft	- 27 993 179	27 993 179
Annuity Loans	- 3 802 618	3 802 618
	5 709 474	65 665 694
		71 375 168

2014

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions			
Electricity	-	7 544 943	7 544 943
Refuse	-	2 914 896	2 914 896
Sewerage	-	3 577 874	3 577 874
Water	-	7 632 054	7 632 054
Other Receivables	-	260 611	260 611
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	-	3 812 038	3 812 038
Short-term Loans	-	1 893 800	1 893 800
Sundry Debtors	-	1 401 532	1 401 532
Cash and Cash Equivalents			
Call Deposits	-	10 114 003	10 114 003
Cash Floats and Advances	1 800	-	1 800
	1 800	39 151 751	39 153 551

Financial liabilities

	At fair value	At amortised cost	Total
Long-term Liabilities			
Annuity Loans	-	29 237 975	29 237 975
Payables from Exchange Transactions			
Trade Creditors	-	800 761	800 761
Consumer Deposits	4 639 486	-	4 639 486
Payables from Non-exchange Transactions			
Staff Leave Accrued	-	4 547 806	4 547 806
Staff Salaries	-	2 087 511	2 087 511
Sundry Deposits	-	3 484 424	3 484 424
Bank Overdraft			
Bank Overdraft	-	30 159 496	30 159 496
Annuity Loans	-	4 422 609	4 422 609
	4 639 486	74 740 582	79 380 068

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and short-term investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015			2014
30 June 2015	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call deposits	-	8 169 803	-	8 169 803
Cash and Cash Equivalents	-	1 800	-	1 800
Total Financial Assets	-	8 171 603	-	8 171 603
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank overdraft	-	(28 117 393)	-	(28 117 393)
Total Financial Liabilities	-	(28 117 393)	-	(28 117 393)
Total Financial Instruments	-	(19 945 790)	-	(19 945 790)
30 June 2014	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call deposits	-	10 114 003	-	10 114 003
Cash and Cash Equivalents	-	1 800	-	1 800
Total Financial Assets	-	10 115 803	-	10 115 803
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank overdraft	-	(30 159 496)	-	(30 159 496)
Total Financial Liabilities	-	(30 159 496)	-	(30 159 496)
Total Financial Instruments	-	(20 043 693)	-	(20 043 693)

51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2013

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity which consist of Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	57 355 368	63 820 079
Cash and Cash Equivalents	(8 171 603)	(10 115 803)
Net Debt	49 183 765	53 704 276
Equity	1 363 344 424	975 106 213
	3,61 %	5,51 %

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

51.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 50.8 and 50.9 to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

51.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

51.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.7 Credit Risk Management

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Counterparty and Location		
Camel Thorn Consultancy T/A Namakwari Lodge	546 120	161 802
Diversified Property Fund LTD	798 033	727 032
Kentucky Fried Chicken	-	123 538
Sioc Community Development Trust	-	162 657
Urban Hotel	-	95 940
Sishen Iron OreCompany Pty Ltd	28 109 227	-
Barlow World Equipment	1 121 779	-
Shoprite Checkers Pty Ltd	2 084 850	-

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	97 344 830	46 539 605
Receivables from Non-exchange Transactions	352 495 719	16 651 315
Bank, Cash and Cash Equivalents	(19 945 790)	(20 043 692)
Maximum Credit and Interest Risk Exposure	429 894 759	43 147 228

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer Debtors:		
- Household	83,48 %	55,97 %
- Industrial / Commercial	11,10 %	34,43 %
- National and Provincial Government	5,42 %	3,24 %
Other Debtors:		
- Other not Classified	- %	6,37 %
Total Credit Risk	100,00 %	100,01 %

Bank and Cash Balances

First National Bank	(19 945 790)	(20 043 692)
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Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	-	9 343 133
Group 2	-	1 349 397
Group 3	-	-

Total Receivables from Exchange Transactions	-	10 692 530
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Receivables from Non-exchange Transactions

Counterparties without external credit rating:-

Group 1	-	-
Group 2	-	8 569 846
Group 3	-	-

Total Receivables from Non-exchange Transactions	-	8 569 846
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Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2015

Non-interest Bearing	0,00 %	-	333 093	-	-	-	-
- Payables from Exchange transactions		-	333 093	-	-	-	-
Variable Interest Rate Instruments		-	28 117 393	-	-	-	-
- Bank Overdraft		-	28 117 393	-	-	-	-
Fixed Interest Rate Instruments		-	1 849 534	1 953 085	4 180 995	15 170 822	6 083 540
Non-current liabilities		-	-	-	4 180 995	15 170 822	6 083 540
- DBSA 61000367	8,63 %	-	-	-	1 909 332	6 799 246	2 678 199
- DBSA 61006899	9,56 %	-	-	-	1 038 382	3 765 695	1 509 011
- DBSA 61006937	11,06 %	-	-	-	1 233 281	4 605 881	1 896 330
Non-current liabilities		-	1 849 534	1 953 085	-	-	-
- DBSA 61000367	8,63 %	-	854 938	897 946	-	-	-
- DBSA 61006899	9,56 %	-	459 555	485 250	-	-	-
- DBSA 61006937	11,06 %	-	535 041	569 889	-	-	-
		-	30 300 020	1 953 085	4 180 995	15 170 822	6 083 540

30 June 2014

	Note ref	Average effective interest rate	Total	6 months or less	6 - 12 months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	#	R	R	R	R	R	R
Non-interest Bearing	0,00 %		10 476 392	10 476 392	-	-	-	-
- Payables from Exchange transactions			356 651	356 651	-	-	-	-
- Payables from Non-exchange transactions			10 119 741	10 119 741	-	-	-	-
Variable Interest Rate Instruments			30 159 496	30 159 496	-	-	-	-
- Bank Overdraft			30 159 496	30 159 496	-	-	-	-
Fixed Interest Rate Instruments			33 660 584	2 145 787	2 276 822	3 802 619	12 018 614	13 416 742
Non-current liabilities			29 237 975	-	-	3 802 619	12 018 614	13 416 742
- DBSA 61000317	10,76 %		-	-	-	-	-	-
- DBSA 61000367	8,63 %		13 139 661	-	-	1 752 884	5 091 371	6 295 406
- DBSA 61006899	9,56 %		7 257 893	-	-	944 805	2 788 139	3 524 949
- DBSA 61006937	11,06 %		8 840 421	-	-	1 104 930	4 139 104	3 596 387
Non-current liabilities			4 422 609	2 145 787	2 276 822	-	-	-
- DBSA 61000317	10,76 %		952 389	463 410	488 979	-	-	-

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand					2015	2014
- DBSA 61000367	8,63 %	1 613 521	784 734	828 787	-	-
- DBSA 61006899	9,56 %	862 230	418 023	444 207	-	-
- DBSA 61006937	11,06 %	994 469	479 620	514 849	-	-
					74 296 472	42 781 675
					2 276 822	3 802 619
					12 018 614	13 416 742

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

30 June 2014

Non-interest Bearing	0,00 %	-	29 769 590	-	-	-	-
- Trade Receivables from		-	21 930 379	-	-	-	-
Exchange Transactions		-	7 837 411	-	-	-	-
- Trade Receivables from		-		-	-	-	-
Non-exchange Transactions		-	1 800	-	-	-	-
- Cash and Cash		-		-	-	-	-
Equivalents		-		-	-	-	-
Variable Interest Rate	1%-	-	10 114 003	-	-	-	-
Instruments	3.9%	-	10 114 003	-	-	-	-
- Call Deposits		-		-	-	-	-
		-	39 883 593	-	-	-	-

51.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

52. Multi Employer Retirement Benefit Information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R7 027 448 (2013: R5 928 858) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined Benefit Scheme

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of R 10 million (30 June 2012: R 18 million), with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Defined Contribution Schemes

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R 31,425 million (30 June 2012: (R 7,980)) million, with funding levels of 100,2% and 100,0% (30 June 2012: 99,9% and 100%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 1,183 (30 June 2011: R 1,041) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The net assets available for benefits were R 6,981 (2012: R 5,646) million.

The statutory valuation performed as at 1 July 2013 revealed that the fund had a deficit of R 65 (30 June 2012: R 63) million, with a funding level of 99,97% (30 June 2012: 99,89%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

Lekana Pension Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (7,5%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

Sanlam Umbrella Provident Fund

No details could be provided for the fund and of any valuation performed. The registrar granted valuation exemption to the fund and the date on which the valuation exemption for the fund will terminate is 31 December 2017. The contribution rate paid by the members is 9% and the municipality 18%.

None of the above mentioned plans are State Plans.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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53. Related parties

Related party relationships:

Councillors:

Ward	Surname	Initials
1	Vos	G.
2	Tiroyame	T.E.
3	Gorrah	V.L.
4	Obuseng	I.
5	Selonyane	P.
Mayor	Moyo	D.P.
Proportional	Du Plessis	H.
Proportional	Hantise	O.E.
Proportional	Kaars	J.C.
Proportional	Johnson	J.

Directors:

	Surname	Initials
Municipal Manager	Itumeleng	T.C.
Chief Financial Officer	Grond	N.M.
Director Corporate Services	Seetile	L.
Director Infrastructure	Ositang	K.N.
Director Community Services	Apools-Sebogo	R.C.
Director Strategic Services	Leserwane	K.P.

Services rendered to related parties

	Rates charges	Service charges	Sundry charges	Outstanding balances
For the Year ended 30 June 2015				
Councillors	19 999	89 882	-	50 762
Section 57 Personnel	36 651	41 435	72 137	107 098
50762	56 650	131 317	72 137	157 860
Councillors				
Mayor	D.P. Moyo	-	27 203	3 838
Councillor : PR	H. Du Plessis	7 665	9 369	1 286
Councillor : PR	O.E. Hantise	-	7 854	4 695
Councillor : PR	J.C. Kaars	-	32 527	-
Councillor : PR	J. Johnson	-	-	-
Councillor : Ward 1	G. Vos	10 622	31 074	43 866
Councillor : Ward 2	E.T. Tiroyame	973	1 547	341
Councillor : Ward 3	V.L. Gorrah	272	3 515	273
Councillor : Ward 4	-	-	-	-
Councillor : Ward 5	P. Selonyane	467	3 996	301
Section 57 Personnel:				
Municipal Manager	C. Itumeleng	-	7 711	22 471
Chief Financial officer	N.M. Grond	-	6 191	31 127
Director Infrastructure	K.N. Ositang	7 198	9 219	1 447
Director Community Services	R.C. Apools-Se	29 453	18 314	52 053
Director Strategic Services	K.P. Leserwane	-	-	-
	56 650	131 317	72 137	157 860

	Rates charges	Service charges	Sundry charges	Outstanding balances
For the Year ended 30 June 2014				
Councillors	9 725	231 189	-	164 258
Section 57 Personnel	11 859	53 182	100 841	81 827
Total Services	21 584	284 371	100 841	246 085
Councillors:				

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand			2015	2014	
53. Related parties (continued)					
Mayor	D.P. Moyo	-	10 218	-	8 191
Mayor	M.M. Dizina	13	521	-	1 752
Councillor : PR	F. van den Hee	-	6 085	-	208
Councillor : PR	O.E. Hantise	-	1 780	-	12 288
Councillor : PR	J.C. Kaars	307	1 639	-	182
Councillor : PR	J. Johnson	-	19 282	-	55 461
Councillor : Ward 1	G. Vos	9 182	177 167	-	79 380
Councillor : Ward 2	T.E. Tiroyame	128	5 136	-	1 232
Councillor : Ward 3	V.L. Gorrah	40	3 535	-	482
Councillor : Ward 4	I. Obuseng	-	1 993	-	4 759
Councillor : Ward 5	P. Selonyane	55	3 833	-	324
Section 57 Personnel:					
Municipal Manager	T.C. Itumeleng	-	15 395	23 270	31 570
Chief Financial officer	N.M. Grond	-	13 644	69 146	39 504
Director Corporate Services	L. Seetile	-	-	-	-
Director Corporate Services (acting)	C.M. Phuti	1 139	451	-	594
Director Infrastructure	K.N. Ositang	3 389	9 550	8 425	9 259
Director Community Services	R.C. Apools-Se	7 331	14 142	-	900
Director Strategic Services	K.P. Leserwane	-	-	-	-
		21 584	274 153	100 841	237 895

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in notes 31 and 32 respectively, to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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54. Contingencies

Contingent liabilities

Guarantees	-	-
The municipality did not issue any guarantee during the financial years under review.		
Dispute on damages claimed - BK Chabemang	10 000	10 000
Dispute on damages claimed - Mr Moolman	15 000	-
Dispute on damages claimed - Mr Ben Moses	20 000	-
	45 000	10 000

The municipality is involved in litigation with BK Chabemang emanating from a motor vehicle accident which involved a municipal vehicle. The possible liability amounts to R 10,000. The municipality is defending the case through BBM attorneys. The outcome of the matter is still unknown.

The municipality is involved in litigation with Mr Moolman. The possible liability amounts to R 10,000. The municipality is defending the case through external attorneys. The outcome of the matter is still unknown.

The municipality is involved in litigation with Mr Ben Moses. The possible liability amounts to R 10,000. The municipality is defending the case through external attorneys. The outcome of the matter is still unknown.

Dispute on damages claimed	20 000	20 000
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The municipality is involved in litigation with Transnet SOC Ltd. Mr Tshepo Hawtrey Gaothaelwe collided with Transnet Isuzu bakkie KB250 DC on 15 May 2012 and the intersection Hendrick Van Eck and Ian Flemming while on duty driving the municipal vehicle a Nissan NP200 (CCF 494 NC). The outcome of the matter is still unknown.

Licensing fees and penalties	20 000 000	20 000 000
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Contrary to section 20(1) of the Environmental Conservation Act (Act 50 of 2003) the municipality's landfill sites have not been issued with a permit by the Department of Economic and Environmental Affairs. In terms of section 29(4), for non-compliance of section 20(1) the municipality may incur a fine to the amount of R 10 million per contravention.

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

55. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

56. Going concern

Management considered the following matters relating to the Going Concern:

(i) During 2015 the Council adopted the 2015/16 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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56. Going concern (continued)

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

57. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Revenue from exchange transactions:

Property Rates: The budget was adjusted due to the improbability of being able to bill in accordance with the valuation roll. The actual amounts eventually exceeded the adjusted budget.

Impairment losses: Due to the higher billing on the property rates the impairment of these amounts was higher.

Transfers and subsidies: Amounts required to transfer was lower than expected.

Public contributions: Amounts received was lower than anticipated. This was due to the higher rates, thus contributors withheld further contributions.

Net surplus per the statement of financial performance	326 453 814	17 038 889
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58. Prior period errors

Corrections were made to prior year figures, details of the corrections are described below:

58.1 Payables from exchange transactions

The prior year amount for Payables from exchange transactions has been restated to account for expenditure previously not accrued for at year-end and correction of prior year balances.

Balance previously reported	356 651
Expenditure not accrued	273 646
Bulk purchases	4 655
Restated balance	634 952

58.2 Repairs and maintenance

The prior year amount for Repairs & Maintenance has been restated to account for payables and corrections of amount not accrued for as at 30 June 2014

Balance previously reported	10 785 772
Cylinder rental	1 015
Compacting of waste May & June	200 640
Vehicle services	25 701
IMIS extended services	46 289
Incorrectly capitalised WIP	27 916 387
Restated balance	=

58.3 Service charges

Service charges for the year ended 30 June 2014 has been restated to account for the correction of debtors balances as at 30 June 2014.

Balance previously reported	209 648 362
Refuse removal	(8 309)
Sale of electrical	(12 856)
Sale of water	(57 651)
Sewerage and sanitation	44 772

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
Restated balance	209 614 317	
58.4 Receivables from non-exchange transactions		
The prior year amount for Trade receivables from exchange transactions has been restated to account for corrections of prior year balances		
Balance previously reported	7 837 411	
Correction of property rates	(517)	
Rental of facilities vodacom debt	(309 688)	
Restated balance	7 527 206	
58.5 Receivables from exchange transactions		
The prior year amount for Trade receivables from exchange transactions has been restated to account for corrections of prior year balances		
Balance previously reported	21 930 378	
Refuse	(8 309)	
Electricity	(12 856)	
Water	(52 768)	
Sewerage	44 771	
Rental of facilities	76 720	
Restated balance	21 977 936	
58.6 Rental of facilities and equipment		
The prior year amount for Rental of Facilities & Equipment has been restated to account for correction of rent receivable as at 30 June 2014.		
Previously reported	629 829	
Debtor raised for Vidacom	(309 688)	
Other receivables	76 720	
restated balance	<u>396 861</u>	
58.7 Bank overdraft		
The prior year amount for bank overdraft has been restated to account for cancelled cheques and include all accounts of the municipality as at 30 June 2014. This balance has also been moved to creditors as the bank was never in overdraft. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	30 159 496	
cancelled cheques	2 770	
Correction of balances (Olifantshoek account)	(45 820)	
Donations not accrued	(10 000)	
Restated balance	30 106 446	
58.8 Accumulated surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the accumulated surplus held by the municipality as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported- Opening balance	975 106 213	
Correction of payables as at 30 June 2013	(1 279 537)	
Heritage assets	74 581	
Bank account	43 633	
Opening balance correction	165 809	
Investment properties	(2 839 070)	
PPE	4 725 572	
WIP	(1 653 799)	
Effect of error on the Statement of Financial Performance	(28 207 391)	
Restated balance	946 136 011	

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
58.9 Public contributions		
The prior year amount for public contributions has been restated to account for correction of public contributions received as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	31 189 640	
Donations not accrued	10 000	
Restated balance	31 199 640	
58.10 Property rates		
The prior year amount for Property rates has been restated to account for correction of property rates receivable as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	23 623 405	
Correction of receivables balance	(517)	
Restated balance	23 622 888	
58.11 Bulk purchases		
The prior year amount for Bulk purchases has been restated to account for correction of unaccrued bulk purchases as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
balance previously reported	82 148 872	
Purchases not accrued for	4 656	
Restated balance	82 153 528	
58.12 General expenses		
The prior year amount for General expenses has been restated to account for correction of cancelled general expenditure as at 30 June 2014. correction of the error(s) results in adjustments as follows:		
Balance previously reported	23 610 358	
Cancelled	(2 245)	
Restated balance	23 608 112	
58.13 Other income		
The prior year amount for Other income has been restated to account for correction of cancelled transactions as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	5 979 080	
correction of errors	(133)	
Restated balance	5 978 947	
58.14 Depreciation and amortisation		
The prior year amount for Depreciation and amortisation has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	54 720 415	
Reversal of depreciation	(240 526)	
Restated balance	54 479 889	
58.15 Property, plant and equipment		
The prior year amount for property, plant and equipment has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	883 665 970	
Amounts incorrectly capitalised (WIP)	(29 570 184)	
Various asset adjustments	5 189 196	
Restated balance	859 393 502	

Gamagara Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
58. Prior period errors (continued)		
58.16 Heritage assets		
The prior year amount for Heritage assets has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported		-
First time recognition of heritage assets		74 581
Restated balance		74 581
58.17 Interest earned		
The prior year amount for Interest earned has been restated to account for correction of errors as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously stated	446 076	
Interest not accrued for		2 188
Restated balance	448 263	
58.18 Investment property		
The prior year amount for Investment property has been restated to account for misstatements as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	162 966 596	
Prior year correction on infrastructure assets (also refer to note for change in accounting policy)		(2 839 070)
Restated balance	160 127 526	
58.19 Payables from non-exchange transactions		
The prior year amount for Payables from exchange has been restated to account for misstatements as at 30 June 2014. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	13 970 134	
Adjustment of opening balance		1 279 538
Restated balance	15 249 672	
58.20 Restatement of Performance bonus provision		
The performance bonus provision was reversed as the assessment to determine if members of management are eligible for a bonus has not been performed. The correction of the error(s) results in adjustments as follows:		
Balance previously reported	507 599	
Adjustment of opening balance		-115 202
Prior year provision expense		-392 397
Restated balance		0
58.21 Restatement of grant expenditure		
As previously stated	9 379 499	
Employee cost		-1 550 000
Contracted Services - Project related expenses		-5 686 554
General expenses - library		- 218 216
Restated balance	1 924 729	

Appendix A
June 2015

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015
		Rand	Rand	Rand	Rand
61000317	30/06/2015	952 388	-	952 388	-
61000367	30/06/2021	14 753 182	-	1 613 521	13 139 661
61006899	30/06/2021	8 120 124	-	862 231	7 257 893
61006937	30/06/2021	9 834 890	-	1 060 954	8 773 936
		33 660 584	-	4 489 094	29 171 490

**Development Bank of South
Africa**

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	50 845 378	-	-	-	-	-	50 845 378	-	-	-	-	-	-	50 845 378
Community facilities	118 671 563	12 300	-	-	-	14 657 295	133 341 158	(46 055 643)	-	-	(6 752 409)	-	(52 808 052)	80 533 106
Operational facilities	81 110 377	-	-	-	-	5 453 118	86 563 495	(22 692 322)	-	-	(4 155 116)	-	(26 847 438)	59 716 057
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	250 627 318	12 300	-	-	-	20 110 413	270 750 031	(68 747 965)	-	-	(10 907 525)	-	(79 655 490)	191 094 541
Infrastructure														
Supply/reticulation	-	-	-	7 009 979	-	1 127 629	8 137 608	-	-	-	(19 795)	-	(19 795)	8 117 813
Substation	-	-	-	982 448	-	-	982 448	-	-	-	(2 961)	-	(2 961)	979 487
Electrical panels	-	-	-	270 487	-	-	270 487	-	-	-	(815)	-	(815)	269 672
Transformer	-	-	-	548 707	-	-	548 707	-	-	-	(9 809)	-	(9 809)	538 898
Cables	-	-	-	932 260	-	-	932 260	-	-	-	(16 666)	-	(16 666)	915 594
LV / MV Network	55 730 495	-	-	-	-	-	55 730 495	(29 712 063)	-	-	(1 393 262)	-	(31 105 325)	24 625 170
LV Network	134 904 211	-	-	-	-	-	134 904 211	(62 427 168)	-	-	(5 704 342)	-	(68 131 510)	66 772 701
MV Network	35 794 522	-	-	-	-	-	35 794 522	(18 895 747)	-	-	(723 147)	-	(19 618 894)	16 175 628
Traffic Management	5 801 848	-	-	-	-	8 392 002	14 193 850	(3 205 158)	-	-	(341 724)	-	(3 546 882)	10 646 968
Road Structures	352 701 382	-	-	5 394 097	-	-	358 095 479	(187 171 989)	-	-	(9 936 666)	-	(197 108 655)	160 986 824
Storm Water	19 182 622	-	-	-	-	-	19 182 622	(11 259 184)	-	-	(319 710)	-	(11 578 894)	7 603 728
Bridges, Subways & Culverts	7 417 319	-	-	-	-	-	7 417 319	(3 729 284)	-	-	(123 622)	-	(3 852 906)	3 564 413
Municipal roads	1 282 696	-	-	20 478 137	-	-	21 760 833	(15 673)	-	-	(400 432)	-	(416 105)	21 344 728
Traffic sign	20 170	-	-	-	-	-	20 170	(2 465)	-	-	(4 034)	-	(6 499)	13 671
Kerbing	-	-	-	2 130 621	-	-	2 130 621	-	-	-	(30 471)	-	(30 471)	2 100 150
Collection / Reticulation Network	176 844 380	-	-	20 969 414	-	21 654 369	219 468 163	(112 456 733)	-	-	(4 795 985)	-	(117 252 718)	102 215 445
Sewer Pump Station	29 725 576	-	-	-	-	-	29 725 576	(7 088 081)	-	-	(1 756 216)	-	(8 844 297)	20 881 279
Waste Water Treatment Works	50 806 769	-	-	-	-	-	50 806 769	(20 379 268)	-	-	(2 612 249)	-	(22 991 517)	27 815 252
Waste purification works	-	-	-	13 398 787	-	-	13 398 787	-	-	-	(239 526)	-	(239 526)	13 159 261
Pump station	-	-	-	2 606 998	-	-	2 606 998	-	-	-	(46 605)	-	(46 605)	2 560 393
Underground chamber	-	-	-	110 411	-	-	110 411	-	-	-	(1 974)	-	(1 974)	108 437
Tanks	-	-	-	146 767	-	-	146 767	-	-	-	(2 624)	-	(2 624)	144 143
Meter	-	-	-	111 341	-	-	111 341	-	-	-	(1 990)	-	(1 990)	109 351
Water Pump Stations	7 669 970	-	-	-	-	-	7 669 970	(4 190 558)	-	-	(365 127)	-	(4 555 685)	3 114 285
Distribution / Reticulation Network	157 882 996	-	-	5 495 047	-	14 656 793	178 034 836	(102 412 756)	-	-	(8 077 067)	-	(110 489 823)	67 545 013
Storage	96 370 737	95 203	-	-	-	-	96 465 940	(24 551 320)	-	-	(3 427 355)	-	(27 978 675)	68 487 265
Boreholes	6 787 098	-	-	-	-	-	6 787 098	(4 285 950)	-	-	(301 089)	-	(4 587 039)	2 200 059
Water Treatment Works	24 463 182	-	-	-	-	-	24 463 182	(10 644 078)	-	-	(1 132 676)	-	(11 776 754)	12 686 428
Bulk distribution	28 652 895	-	-	-	-	-	28 652 895	(22 922 316)	-	-	(1 432 645)	-	(24 354 961)	4 297 934
Dams & Weirs	2 239 904	-	-	-	-	-	2 239 904	(1 259 946)	-	-	(27 999)	-	(1 287 945)	951 959
	1 194 278 772	95 203	-	80 585 501	-	45 830 793	1 320 790 269	(626 609 737)	-	-	(43 248 583)	-	(669 858 320)	650 931 949

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Heritage assets	74 581	-	-	-	-	-	74 581	-	-	-	-	-	-	74 581
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	74 581	-	-	-	-	-	74 581	-	-	-	-	-	-	74 581
Other assets														
Fire fighting equipment / fire hoses	25 559	-	-	-	-	-	25 559	(14 043)	-	-	(4 385)	-	(18 428)	7 131
Emergency / rescue equipment	6 604	-	-	-	-	-	6 604	(3 959)	-	-	(1 214)	-	(5 173)	1 431
Trailers and accessories	142 900	-	-	-	-	-	142 900	(60 294)	-	-	(2 798)	-	(63 092)	79 808
Specialised vehicles	52 400	-	-	-	-	-	52 400	(2 934)	-	-	(1 677)	-	(4 611)	47 789
Tractors	12 000	-	-	-	-	-	12 000	(4 250)	-	-	(384)	-	(4 634)	7 366
Trucks, buses and Idv's	7 119 903	1 947 142	-	-	-	-	9 067 045	(1 146 949)	-	-	(835 614)	-	(1 982 563)	7 084 482
Passenger vehicles	2 193 508	-	-	-	-	-	2 193 508	(611 684)	-	-	(144 892)	-	(756 576)	1 436 932
Cabinets & cupboards	1 057 756	-	-	-	-	-	1 057 756	(451 539)	-	-	(134 916)	-	(586 455)	471 301
Other furniture and fittings	189 401	2 172	-	-	-	-	191 573	(92 036)	-	-	(32 530)	-	(124 566)	67 007
Tables & desks	977 395	131 957	-	-	-	-	1 109 352	(424 437)	-	-	(128 774)	-	(553 211)	556 141
Chairs and couches	925 636	53 047	-	-	-	-	978 683	(381 780)	-	-	(114 879)	-	(496 659)	482 024
Shelving and bookcases	4 289 301	-	-	-	-	-	4 289 301	(1 901 538)	-	-	(553 619)	-	(2 455 157)	1 834 144
Beds	146 953	-	-	-	-	-	146 953	(79 670)	-	-	(23 433)	-	(103 103)	43 850
Lawnmowers / gardening equipment	237 058	-	-	-	-	-	237 058	(138 938)	-	-	(32 718)	-	(171 656)	65 402
Plant and equipment - other	111 796	9 009 042	-	-	-	-	9 120 838	(46 940)	-	-	(193 063)	-	(240 003)	8 880 835
Workshop equipment and tools	311 624	89 743	-	-	-	-	401 367	(173 140)	-	-	(63 441)	-	(236 581)	164 786
Lab equipment	13 245	-	-	-	-	-	13 245	(4 384)	-	-	(2 384)	-	(6 768)	6 477
Law enforcement equipment	61 503	-	-	-	-	-	61 503	(26 697)	-	-	(11 071)	-	(37 768)	23 735
Earth moving equipment	477 498	2 935 000	-	-	-	-	3 412 498	(157 454)	-	-	(138 338)	-	(295 792)	3 116 706
Generators	67 364	3 772	-	-	-	-	71 136	(37 617)	-	-	(6 788)	-	(44 405)	26 731
Sport and recreational equipment	4 999	-	-	-	-	-	4 999	(2 924)	-	-	(450)	-	(3 374)	1 625
Compressors	6 500	-	-	-	-	-	6 500	(4 053)	-	-	(836)	-	(4 889)	1 611
Radio equipment	500	-	-	-	-	-	500	(135)	-	-	(90)	-	(225)	275
Plant & equipment-other	-	52 944	-	-	-	-	52 944	-	-	-	(2 611)	-	(2 611)	50 333
Computer hardware	2 334 941	309 368	-	-	-	-	2 644 309	(1 014 214)	-	-	(519 969)	-	(1 534 183)	1 110 126
Office equipment - other	1 054 539	836 730	-	-	-	-	1 891 269	(244 191)	-	-	(196 280)	-	(440 471)	1 450 798
Air conditioners	707 151	-	-	-	-	-	707 151	(470 456)	-	-	(126 269)	-	(596 725)	110 426
Office machines	210 008	247 382	-	-	-	-	457 390	(98 018)	-	-	(84 258)	-	(182 276)	275 114
Domestic equipment	160 560	-	-	-	-	-	160 560	(94 984)	-	-	(26 207)	-	(121 191)	39 369
Audiovisual equipment	102 106	33 049	-	-	-	-	135 155	(40 387)	-	-	(20 573)	-	(60 960)	74 195
	23 000 708	15 651 348	-	-	-	-	38 652 056	(7 729 645)	-	-	(3 404 461)	-	(11 134 106)	27 517 950

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Intangible assets

Intangible assets	1 854 323	2 884 596	-	-	-	-	4 738 919	(720 938)	-	-	(653 938)	-	(1 374 876)	3 364 043
	1 854 323	2 884 596	-	-	-	-	4 738 919	(720 938)	-	-	(653 938)	-	(1 374 876)	3 364 043

Investment properties

Land	161 314 526	-	-	-	-	-	161 314 526	-	-	-	-	-	-	161 314 526
	161 314 526	-	-	-	-	-	161 314 526	-	-	-	-	-	-	161 314 526
Total	1 631 150 228	18 643 447	-	80 585 501	-	65 941 206	1 796 320 382	(703 808 285)	-	-	(58 214 507)	-	(762 022 792)	1 034 297 590

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation	Accumulated depreciation
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Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
21 872 769	30 438 058	(8 565 289)	Executive & Council/Mayor and Council	24 102 318	87 711 068	(63 608 750)
26 627 913	21 172 071	5 455 842	Budget & Treasury Office	400 011 171	28 698 275	371 312 896
2 745	10 646 772	(10 644 027)	Corporate Services	-	12 582 752	(12 582 752)
21 267 691	45 483 926	(24 216 235)	Community Services	21 788 533	57 817 623	(36 029 090)
195 268	8 962 210	(8 766 942)	Shared Services	15 861	12 097 699	(12 081 838)
261 240 369	169 649 834	91 590 535	Technical Services	281 833 294	195 352 854	86 480 440
331 206 755	286 352 871	44 853 884		727 751 177	394 260 271	333 490 906
Municipal Owned Entities						
Other charges						

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current Year 2015 Act. Bal.	Current Year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	391 502 832	177 803 445	213 699 387	120,2	
Service charges	269 758 997	277 931 433	(8 172 436)	(2,9)	
Rental of facilities and equipment	253 651	715 336	(461 685)	(64,5)	
Interest received	1 120 196	500 000	620 196	124,0	
Agency services	2 473 165	2 177 465	295 700	13,6	
Licences and permits	830 150	875 967	(45 817)	(5,2)	
Other income	2 622 822	2 358 361	264 461	11,2	
Public contribution and donations	10 519 728	38 268 299	(27 748 571)	(72,5)	
Government grants and subsidies	48 116 753	64 851 896	(16 735 143)	(25,8)	
Fines, penalties and forfeits	362 648	314 374	48 274	15,4	
	727 560 942	565 796 576	161 764 366	28,6	
Expenses					
Personnel	(105 186 350)	(111 418 580)	6 232 230	(5,6)	
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(2 793 291)	(2 890 272)	96 981	(3,4)	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(58 213 895)	(54 838 704)	(3 375 191)	6,2	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	(66 635 371)	(6 848 594)	(59 786 777)	873,0	
Finance costs	(3 352 373)	(3 773 618)	421 245	(11,2)	
Repairs and maintenance - General	(15 700 946)	(18 233 711)	2 532 765	(13,9)	
Bulk purchases	(96 890 964)	(111 220 611)	14 329 647	(12,9)	
Contracted Services	(11 025 738)	(6 534 074)	(4 491 664)	68,7	
Transfers and Subsidies	(2 402 570)	(14 608 551)	12 205 981	(83,6)	
Cost of housing sold	-	-	-	-	
General Expenses	(35 037 155)	(43 536 435)	8 499 280	(19,5)	
	(397 238 653)	(373 903 150)	(23 335 503)	6,2	
Other revenue and costs					
Fair value adjustments	-	-	-	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Net surplus/ (deficit) for the year	330 322 289	191 893 426	138 428 863	72,1	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld		Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Mar	Jun		Yes/ No	
MIG Projects	MIG	4 638 000	7 000 000	-	-	2 370 273	2 649 477	811 670	3 999 429	-	-	N/A	Yes	N/A
Library	Province	-	495 000	495 000	-	104 947	42 643	118 635	1 067 945	-	-	N/A	Yes	N/A
COGSTA	Province	2 204 745	996 820	-	-	1 616 788	-	454 312	112 704	-	-	N/A	Yes	N/A
Equitable Share	National Treasury	8 726 000	7 348 000	5 971 000	-	272 206	781 584	468 532	905 883	-	-	N/A	Yes	N/A
INEP		-	3 500 000	-	-	608 874	717 383	366 426	1 807 317	-	-	N/A	Yes	N/A
Housing	Province	1 089 422	1 844 859	-	832 000	430 296	722 173	946 912	666 900	-	-	N/A	Yes	N/A
MSIG	DPLG	934 000	-	-	-	377 330	-	-	556 670	-	-	N/A	Yes	N/A
MWIG	DWAF	-	-	-	-	44 919	384 092	417 757	26 192	-	-	N/A	Yes	N/A
EPWP	Province	400 000	300 000	300 000	-	276 281	91 000	274 343	358 376	-	-	N/A	Yes	N/A
FMG	National Treasury	1 600 000	-	-	-	-	7 250	911 384	681 366	-	-	N/A	Yes	N/A
		19 592 167	21 484 679	3 766 000	832 000	6 101 914	5 395 602	4 769 971	10 182 782	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.